

**EISNERAMPER**

**AMERICAN COUNCIL OF LEARNED  
SOCIETIES**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018 and 2017**



## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
American Council of Learned Societies  
New York, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the American Council of Learned Societies (the "Council"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

The Council's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Council of Learned Societies as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

EISNERAMPER LLP  
New York, New York

October 26, 2018

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Statements of Financial Position

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash	\$ 7,897,997	\$ 5,849,723
Grants receivable, net	11,847,053	13,012,667
Accounts receivable, net	527,325	407,514
Accrued interest and other assets	31,879	35,408
Endowment investments	129,900,901	120,159,446
Other investments	41,874,425	41,080,599
Property and equipment, net	<u>2,727,380</u>	<u>2,791,735</u>
	<b><u>\$ 194,806,960</u></b>	<b><u>\$ 183,337,092</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 793,921	\$ 527,773
Fellowships payable, net	16,724,283	18,920,275
Deferred revenues	531,955	534,310
Bank loan payable	2,571,384	2,807,259
Accrued postretirement medical benefit cost	<u>1,743,850</u>	<u>1,862,083</u>
Total liabilities	<b><u>22,365,393</u></b>	<b><u>24,651,700</u></b>
Commitments and contingencies (see Note K)		
Net assets:		
Unrestricted:		
Board-designated endowment:		
Central fellowship program	51,628,263	46,019,797
Program administration	<u>32,321,204</u>	<u>31,314,792</u>
	<b>83,949,467</b>	<b>77,334,589</b>
Undesignated	<u>2,765,317</u>	<u>2,837,388</u>
Total unrestricted	<b>86,714,784</b>	<b>80,171,977</b>
Temporarily restricted	50,411,624	43,831,456
Central fellowship permanently restricted endowment	25,033,995	24,400,795
Program administration permanently restricted endowment	<u>10,281,164</u>	<u>10,281,164</u>
Total net assets	<b><u>172,441,567</u></b>	<b><u>158,685,392</u></b>
	<b><u>\$ 194,806,960</u></b>	<b><u>\$ 183,337,092</u></b>

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Statements of Activities

	Year Ended June 30,							
	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating activities:</b>								
<b>Support:</b>								
U.S. government agencies		\$ 55,107		\$ 55,107		\$ 159,046		\$ 159,046
Foundations		24,885,036		24,885,036		21,610,442		21,610,442
Placement fee income		144,500		144,500		126,000		126,000
Contributions:								
Individuals	\$ 838,132		\$ 633,200	1,471,332	\$ 369,604			369,604
University consortium	1,850,000			1,850,000	1,750,000			1,750,000
Associates dues	1,050,585			1,050,585	986,970			986,970
Board approved endowment draws	3,683,000			3,683,000	3,610,000			3,610,000
Net assets released from program restrictions	22,831,298	(22,831,298)		0	21,015,978	(21,015,978)		0
Total support	<u>30,253,015</u>	<u>2,253,345</u>	<u>633,200</u>	<u>33,139,560</u>	<u>27,732,552</u>	<u>879,510</u>		<u>28,612,062</u>
<b>Revenue:</b>								
Societies dues	174,060			174,060	174,310			174,310
Humanities E-Book subscriptions	980,885			980,885	878,343			878,343
Royalties	188,319			188,319	164,274			164,274
Other	11,804			11,804	10,985	1,134		12,119
Total revenue	<u>1,355,068</u>			<u>1,355,068</u>	<u>1,227,912</u>	<u>1,134</u>		<u>1,229,046</u>
Total support and revenue	<u>31,608,083</u>	<u>2,253,345</u>	<u>633,200</u>	<u>34,494,628</u>	<u>28,960,464</u>	<u>880,644</u>		<u>29,841,108</u>
<b>Expenses:</b>								
Fellowships and other direct program costs	21,194,885			21,194,885	19,645,884			19,645,884
Central fellowship	3,868,100			3,868,100	3,811,195			3,811,195
Scholarly publications	987,366			987,366	765,828			765,828
General administration	2,073,459			2,073,459	2,131,724			2,131,724
Fund-raising	595,511			595,511	378,173			378,173
Total expenses	<u>28,719,321</u>			<u>28,719,321</u>	<u>26,732,804</u>			<u>26,732,804</u>
Change in net assets before non-operating activities	2,888,762	2,253,345	633,200	5,775,307	2,227,660	880,644		3,108,304
<b>Non-operating activities:</b>								
Endowment investment income in excess of authorized draws	3,403,665	4,090,121		7,493,786	6,954,048	6,077,118		13,031,166
Temporarily restricted grant investment income	31,023	236,702		267,725	11,440	46,844		58,284
Post retirement-medical benefit charges	219,357			219,357	213,476			213,476
<b>Increase in net assets</b>	<u>6,542,807</u>	<u>6,580,168</u>	<u>633,200</u>	<u>13,756,175</u>	<u>9,406,624</u>	<u>7,004,606</u>		<u>16,411,230</u>
Net assets, beginning of year	80,171,977	43,831,456	\$ 34,681,959	158,685,392	70,765,353	36,826,850	\$ 34,681,959	142,274,162
<b>Net assets, end of year</b>	<u>\$ 86,714,784</u>	<u>\$ 50,411,624</u>	<u>\$ 35,315,159</u>	<u>\$ 172,441,567</u>	<u>\$ 80,171,977</u>	<u>\$ 43,831,456</u>	<u>\$ 34,681,959</u>	<u>\$ 158,685,392</u>

See notes to financial statements.

## AMERICAN COUNCIL OF LEARNED SOCIETIES

### Statement of Functional Expenses

Year Ended June 30, 2018

(with summarized information for 2017)

	Program Services				Supporting Services			Total	
	Grants Programs	Central Fellowship	Scholarly Publications	Total Program Services	General Administration	Fund-raising	Total Supporting Services	2018	2017
Central fellowships (endowed)	\$ 370,000	\$ 3,452,536		\$ 3,822,536				\$ 3,822,536	\$ 3,536,896
Fellowships and grants	16,532,838		\$ 7,123	16,539,961				16,539,961	15,890,728
Salaries	1,848,581	224,458	141,002	2,214,041	\$ 597,002	\$ 275,200	\$ 872,202	3,086,243	2,794,577
Retirement plan	160,421	19,684	12,435	192,540	55,159	24,101	79,260	271,800	240,852
Other employee benefits	459,949	50,321	31,497	541,767	74,526	61,913	136,439	678,206	615,158
Payroll taxes	110,756	13,698	8,581	133,035	43,675	16,630	60,305	193,340	172,250
Legal					13,315		13,315	13,315	
Auditing					55,000		55,000	55,000	60,434
Other professional fees	346,441	49,035	161,534	557,010	319,855	101,875	421,730	978,740	745,840
Advertising	13,882		15,409	29,291				29,291	20,099
Office expense	83,709	7,974	7,510	99,193	56,795	29,051	85,846	185,039	173,203
Information technology	283,282	18,374	22,148	323,804	90,892	62,995	153,887	477,691	502,905
Royalties			302,692	302,692				302,692	182,682
Occupancy	31,408	9,100		40,508	134,759	475	135,234	175,742	156,226
Travel	324,385	9,538	18,415	352,338	95,644	567	96,211	448,549	464,335
Conferences and meetings	378,199	13,366	40,297	431,862	242,706	12,022	254,728	686,590	549,540
Interest expense					93,061		93,061	93,061	100,452
Insurance	4,784			4,784	32,375		32,375	37,159	34,142
Printing, publishing and reports	16,643		144,936	161,579	13,811		13,811	175,390	134,734
Dues and subscriptions	12,788	16	6,627	19,431	72,059	10,421	82,480	101,911	95,362
Miscellaneous	7,511		9,792	17,303	31,581	261	31,842	49,145	24,048
Overhead allocation	209,308		57,368	266,676	(266,676)		(266,676)	0	0
Total expenses before depreciation	21,194,885	3,868,100	987,366	26,050,351	1,755,539	595,511	2,351,050	28,401,401	26,494,463
Depreciation					317,920		317,920	317,920	238,341
Total expenses	\$ 21,194,885	\$ 3,868,100	\$ 987,366	\$ 26,050,351	\$ 2,073,459	\$ 595,511	\$ 2,668,970	\$ 28,719,321	\$ 26,732,804

See notes to financial statements.

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Statement of Functional Expenses Year Ended June 30, 2017

	Program Services			Supporting Services			Total	
	Grants Programs	Central Fellowship	Scholarly Publications	Total Program Services	General Administration	Fund-raising	Total Supporting Services	2017
Central fellowships (endowed)	\$ 174,862	\$ 3,362,034		\$ 3,536,896				\$ 3,536,896
Fellowships and grants	15,890,728			15,890,728				15,890,728
Salaries	1,511,174	220,576	\$ 132,040	1,863,790	\$ 745,871	\$ 184,916	\$ 930,787	2,794,577
Retirement plan	120,894	22,058	13,101	156,053	66,307	18,492	84,799	240,852
Other employee benefits	358,795	40,476	24,040	423,311	157,915	33,932	191,847	615,158
Payroll taxes	87,849	16,874	10,022	114,745	43,359	14,146	57,505	172,250
Auditing					60,434		60,434	60,434
Other professional fees	370,601	54,471	178,495	603,567	69,473	72,800	142,273	745,840
Advertising	11,751		8,348	20,099				20,099
Office expense	63,059	13,612	10,057	86,728	80,347	6,128	86,475	173,203
Information technology	268,327	27,390	12,562	308,279	162,400	32,226	194,626	502,905
Royalties			182,682	182,682				182,682
Occupancy	10,781	20,152		30,933	122,047	3,246	125,293	156,226
Travel	299,924	9,091	16,687	325,702	138,099	534	138,633	464,335
Conferences and meetings	241,549	9,255	38,676	289,480	257,089	2,971	260,060	549,540
Interest expense					100,452		100,452	100,452
Insurance	1,608	5,561		7,169	26,077	896	26,973	34,142
Printing, publishing and reports		7,970	77,211	85,181	48,269	1,284	49,553	134,734
Dues and subscriptions	8,656	889	3,116	12,661	76,567	6,134	82,701	95,362
Miscellaneous	3,371	786	1,423	5,580	18,000	468	18,468	24,048
Overhead allocation	221,955		57,368	279,323	(279,323)		(279,323)	0
Total expenses before depreciation	19,645,884	3,811,195	765,828	24,222,907	1,893,383	378,173	2,271,556	26,494,463
Depreciation					238,341		238,341	238,341
Total expenses	\$ 19,645,884	\$ 3,811,195	\$ 765,828	\$ 24,222,907	\$ 2,131,724	\$ 378,173	\$ 2,509,897	\$ 26,732,804

See notes to financial statements.

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 13,756,175	\$ 16,411,230
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	317,920	238,341
Amortization of debt-issuance costs	7,716	7,716
Bad debt expense	9,613	8,363
Net unrealized gains on fair value of investments	(9,684,594)	(14,508,954)
Net realized losses (gains) on sales of investments	2,347,392	(1,262,209)
Permanently restricted contributions	(633,200)	
Changes in:		
Grants receivable	1,165,614	728,268
Accounts receivable	(129,424)	(108,475)
Accrued interest and other assets	3,529	(21,344)
Accounts payable and accrued expenses	266,148	(284,838)
Fellowships payable, net	(2,195,992)	2,289,680
Deferred revenues	(2,355)	(98,112)
Accrued postretirement medical benefit cost	(118,233)	(117,808)
Net cash provided by operating activities	<u>5,110,309</u>	<u>3,281,858</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	6,020,944	26,797,336
Purchases of investments	(9,219,023)	(29,219,853)
Purchases of property and equipment	<u>(253,565)</u>	<u>(253,554)</u>
Net cash used in investing activities	<u>(3,451,644)</u>	<u>(2,676,071)</u>
<b>Cash flows from financing activities:</b>		
Permanently restricted contributions	633,200	
Bank loan repayments	<u>(243,591)</u>	<u>(232,542)</u>
Net cash provided by (used in) financing activities	<u>389,609</u>	<u>(232,542)</u>
<b>Increase in cash</b>	<b>2,048,274</b>	<b>373,245</b>
Cash, beginning of year	<u>5,849,723</u>	<u>5,476,478</u>
<b>Cash, end of year</b>	<b><u>\$ 7,897,997</u></b>	<b><u>\$ 5,849,723</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid during the year	<u>\$ 85,345</u>	<u>\$ 92,736</u>

See notes to financial statements.



# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Notes to Financial Statements June 30, 2018 and 2017

### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### [1] Organization:

The American Council of Learned Societies (the "Council"), incorporated in Washington, D.C. in 1924, was established in 1919 and is located in New York City. The Council is a private, not-for-profit federation of national scholarly organizations, funded largely by grants from private foundations and universities. The purpose of the Council is the advancement of humanistic studies in all fields of learning and the maintenance and strengthening of relations among the national societies devoted to such studies.

The Council is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, and from state and local taxes under comparable laws.

#### [2] Basis of accounting:

The financial statements of the Council have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### [3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, support revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

#### [4] Investments:

The Council's investments in equity securities, mutual funds, and fixed income securities are reported at their fair values in the statements of financial position based on quoted market prices. Money-market funds held as part of the Council's investment portfolio are also included in the balances reported as investments.

The Council also has investments in limited partnerships and limited liability companies which are considered to be alternative investments, for which readily determinable fair values do not exist. The underlying holdings of the Council's alternative investments consist principally of publicly traded domestic and international equity securities. The fair value of the alternative investments has been estimated based on the respective net asset value ("NAV") per share (or its equivalent unit) of each investment, as reported by the particular investment manager. Because of the complex management structures and nature of the underlying investments and the inherent uncertainty of the valuation of the alternative investments, the Council's management and its various investment managers monitor their positions to reduce the risk of potential losses due to changes in fair values or the failure of counterparties to perform on a routine basis. Management believes the carrying amount of the investments in non-publicly traded securities is a reasonable estimate of their fair value. However, such estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

The Council's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Notes to Financial Statements June 30, 2018 and 2017

### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [4] Investments: (continued)

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is restricted on a temporary or permanent basis through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost at the time of acquisition to proceeds at the time of disposition. Distributions from limited partnerships and limited liability companies that represent returns of contributed capital reduce the cumulative cost basis of the respective investment. Distributions received from limited partnerships and limited liability companies in excess of the Council's cumulative cost basis are recognized as realized gains. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

Investment expenses include the services of bank trustees, investment managers and custodians. The balances of investment management fees disclosed in Note C are those specific fees charged by the Council's various investment managers in each fiscal year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

Donated securities are recorded at their estimated fair values, on the dates of donation or by their net asset values as determined by the Council's management. The Council's policy is to sell the donated securities immediately, and, accordingly, for purposes of the statements of cash flows, donated securities and the proceeds generated from their sale are included within operating activities.

The Council's Board of Directors has adopted a spending-rate policy whereby a predetermined amount of each fiscal-year's investment assets is used to fund current operations. For fiscal-year 2018 the spending-rate was calculated using 2% of the dollar value of the previous year's appropriation and for fiscal-year 2017 the spending rate was calculated using 3.5%. (See Note H[8]).

#### [5] Property and equipment:

Property and equipment are stated at their original costs at the date of acquisition, or, if contributed, at their estimated fair values at the dates of donation, less accumulated depreciation. The Council capitalizes items of property and equipment that have a cost of \$5,000 or more and useful lives greater than one year, whereas the costs of minor repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the furniture and fixtures, equipment, and building improvements, which range from five to thirty years.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2018 and 2017, respectively, and in the opinion of management, there were no impairments. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

#### [6] Deferred debt-issuance costs:

Costs incurred in connection with the bank loan payable are deferred and amortized over the term of the related debt using the straight-line method, which approximates the effective-interest method of amortization. These costs are reported in the statements of financial position as a direct reduction of the related debt. The amortization of deferred debt-issuance costs is reported as interest expense in the statements of activities.

Interest expense relating to the amortization of deferred bond-issuance costs was approximately \$7,700 for both fiscal-years 2018 and 2017, respectively. (See Note F).

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Notes to Financial Statements June 30, 2018 and 2017

### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [7] Accrued vacation:

Accrued vacation is included as a liability in the accompanying financial statements and represents the Council's obligation for the potential cost of unused employee vacation time that would be payable in the event that all employees left the Council; the obligation is recalculated every year. At June 30, 2018 and 2017, the accrued vacation obligation was approximately \$266,000 and \$295,000, respectively, and was reported as part of accounts payable and accrued expenses in the accompanying statements of financial position.

#### [8] Net assets:

##### (i) *Unrestricted:*

Unrestricted net assets represent those resources that are not subject to donor-imposed restrictions. Substantially all of the Council's unrestricted net assets, exclusive of the amounts representing property and equipment, have been allocated, by a formal resolution of the Board of Directors, to board-designated endowment, the unrestricted earnings of which will be applied to the future support of its central fellowship program and administrative expenses. Annually, any amount up to, but not greater than, the excess of its unrestricted revenue over expenses, including unrealized gains or losses on its entire investment portfolio, may be so designated.

##### (ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources that are subject to the requirements of the District of Columbia's Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as well as those resources for which the use has been restricted by donors to specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, a purpose restriction is accomplished or the funds are appropriated through an action of the Board of Directors, and temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as "net assets released from program restrictions."

##### (iii) *Permanently restricted:*

Permanently restricted net assets represent those resources the principal of which is originally restricted into perpetuity by donors. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of those donors. Under the terms of UPMIFA, those earnings are classified as temporarily restricted in the statements of activities, pending appropriation by the Board of Directors.

#### [9] Revenue recognition:

##### (i) *Contributions:*

Contributions made to the Council are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are recorded as either temporarily or permanently restricted if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recorded when the conditions have been met, and, if received in advance, are recognized in the statements of financial position as funds received in advance. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

## AMERICAN COUNCIL OF LEARNED SOCIETIES

### Notes to Financial Statements June 30, 2018 and 2017

#### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [9] Revenue recognition: (continued)

###### (ii) *Restricted grant revenue:*

Revenue received as grants from U.S. government agencies, foundations and corporations is initially recorded as temporarily restricted, if such grants are received with donor stipulations as to their use. Restrictions are generally met when program and administration expenses relating to the designated purpose of the particular contract, grant or award are incurred. As the restrictions are met, the support is reclassified as unrestricted.

###### (iii) *Dues:*

The Council receives dues from its members. Dues applicable to a current year are recognized as revenue in that year, while dues received for a future year's membership are deferred and recognized on a pro-rata basis over the period of membership.

###### (iv) *Subscriptions:*

Payments for subscriptions are recognized as income over the period during which the subscriptions are fulfilled.

###### (v) *Royalties:*

The Council receives royalties from the use of its copyrights by third parties. Revenue from these royalties is recognized when payments are received.

##### [10] Functional allocation of expenses:

The cost of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated by management among program, general administration and fund-raising categories, using appropriate measurement methodologies.

##### [11] Measure of operations:

The Council includes in its definition of operations all of those revenue and expenses that are an integral part of its programs and supporting activities. Long-term investment returns in excess of (or less than) amounts related to the Council's authorized spending policy, temporarily restricted grant investment income, and the pension-related charges other than periodic costs are recognized as part of non-operating activities.

##### [12] Income tax uncertainties:

The Council is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Due to the Council's general not-for-profit status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Council's financial statements.

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Notes to Financial Statements June 30, 2018 and 2017

### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [13] Upcoming accounting change:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 will amend financial-statement presentation and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for years beginning after December 15, 2017. The Council will adopt this pronouncement for fiscal-year 2019.

#### [14] Subsequent events:

The Council evaluated subsequent events through October 26, 2018, the date on which the financial statements were available to be issued.

### NOTE B - GRANTS AND ACCOUNTS RECEIVABLE

#### [1] Grants receivable:

At each fiscal-year end, grants receivable were estimated to be due as follows:

	June 30,	
	2018	2017
Less than one year	\$ 6,518,942	\$ 11,341,735
One to five years	<u>5,922,616</u>	<u>1,831,906</u>
	12,441,558	13,173,641
Reduction of grants receivable due in excess of one year to present value at a rate of 4%	<u>(594,505)</u>	<u>(160,974)</u>
	<u>\$ 11,847,053</u>	<u>\$ 13,012,667</u>

Based on the Council's prior experience with donors, management expects to collect the receivables in full and, accordingly, has not established an allowance for uncollectible grants.

#### [2] Accounts receivable:

At each year-end, other accounts receivable consisted of amounts due to the Council for exchange-type transactions. All amounts are due within one year. Based on the Council's prior experience, amounts of approximately \$9,600 and \$8,400 for fiscal-years 2018 and 2017, respectively, are reserved for doubtful collections.

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Notes to Financial Statements June 30, 2018 and 2017

### NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	June 30,			
	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Money-market funds	\$ 30,694,890	\$ 30,694,890	\$ 30,679,962	\$ 30,679,962
Corporate bonds	6,601,491	6,500,000	5,017,772	5,000,000
Equity securities	22,509,373	13,935,670	21,135,485	13,628,568
Mutual funds:				
Fixed-income	2,515,164	3,620,238	2,266,753	3,620,238
Debt/equities	13,453,606	9,386,903	12,977,064	9,359,618
Alternative investments	<u>96,000,802</u>	<u>52,588,438</u>	<u>89,163,009</u>	<u>53,587,066</u>
	<u>\$ 171,775,326</u>	<u>\$ 116,726,139</u>	<u>\$ 161,240,045</u>	<u>\$ 115,875,452</u>

At June 30, 2018, concentrations of the Council's investments in excess of 10% of the fair value of its portfolio included approximately (i) 18% invested in money market funds, (ii) 13% invested in equity securities, and (iii) 56% invested in alternative investments. At June 30, 2017, concentrations of the Council's investments in excess of 10% of the fair value of its portfolio included approximately (i) 19% invested in money market funds, (ii) 13% invested in equity securities, and (iii) 55% invested in alternative investments.

During each fiscal year, net investment earnings consisted of the following:

	Year Ended June 30, 2018		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 3,020,593	\$ 1,829,965	\$ 4,850,558
Net realized losses	(1,461,793)	(885,599)	(2,347,392)
Net unrealized gains	6,030,899	3,653,695	9,684,594
Investment expenses	<u>(472,011)</u>	<u>(271,238)</u>	<u>(743,249)</u>
Net investment income	7,117,688	4,326,823	11,444,511
Less: investment returns based on spending rate	<u>(3,683,000)</u>	<u></u>	<u>(3,683,000)</u>
Gains in excess of authorized spending rate	<u>\$ 3,434,688</u>	<u>\$ 4,326,823</u>	<u>\$ 7,761,511</u>
	Year Ended June 30, 2017		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 1,056,027	\$ 611,315	\$ 1,667,342
Net realized gains	799,432	462,777	1,262,209
Net unrealized gains	9,189,377	5,319,577	14,508,954
Investment expenses	<u>(469,348)</u>	<u>(269,707)</u>	<u>(739,055)</u>
Net investment income	10,575,488	6,123,962	16,699,450
Less: investment returns based on spending rate	<u>(3,610,000)</u>	<u></u>	<u>(3,610,000)</u>
Gains in excess of authorized spending rate	<u>\$ 6,965,488</u>	<u>\$ 6,132,962</u>	<u>\$ 13,089,450</u>

## AMERICAN COUNCIL OF LEARNED SOCIETIES

### Notes to Financial Statements June 30, 2018 and 2017

#### NOTE C - INVESTMENTS (CONTINUED)

FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value designations. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

Certain of the Council's investments are valued using NAV per share (or its equivalent unit) as a practical expedient of fair value. This applies to investments (i) which do not have a readily determinable fair value and (ii) the financial statements of which were prepared by the respective investment managers, in a manner consistent with the measurement principles of either an investment company or an entity which has the attributes of an investment company. Investments that are valued using NAV per share (or its equivalent unit) are not required to be categorized within the fair-value hierarchy, and have been excluded from the fair-value hierarchy.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. For fiscal-years 2018 and 2017, there were no transfers among the fair-value-hierarchy levels of the Council's investments.

The following tables summarize the fair values of the Council's financial assets at each fiscal year-end, in accordance with ASC Topic 820 valuation levels:

	<b>June 30, 2018</b>				
	<b>Investments within the Fair-Value Hierarchy</b>			<b>Investments Valued at NAV</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>	<b>NAV</b>	<b>Total</b>
Money-market funds	\$ 30,694,890		\$ 30,694,890		\$ 30,694,890
Corporate bonds		\$ 6,601,491	6,601,491		6,601,491
Equity securities	22,509,373		22,509,373		22,509,373
Mutual funds	15,968,770		15,968,770		15,968,770
Alternative investments				<b>\$ 96,000,802</b>	<b>96,000,802</b>
	<b><u>\$ 69,173,033</u></b>	<b><u>\$ 6,601,491</u></b>	<b><u>\$ 75,774,524</u></b>	<b><u>\$ 96,000,802</u></b>	<b><u>\$ 171,775,326</u></b>

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Notes to Financial Statements June 30, 2018 and 2017

### NOTE C - INVESTMENTS (CONTINUED)

	June 30, 2017			
	Investments within the Fair-Value Hierarchy			Investments
	Level 1	Level 2	Total	Valued at NAV
Money-market funds	\$ 30,679,962		\$ 30,679,962	\$ 30,679,962
Corporate bonds		\$ 5,017,772	5,017,772	5,017,772
Equity securities	21,135,485		21,135,485	21,135,485
Mutual funds	15,243,817		15,243,817	15,243,817
Alternative investments				<u>\$ 89,163,009</u>
	<u>\$ 67,059,264</u>	<u>\$ 5,017,772</u>	<u>\$ 72,077,036</u>	<u>\$ 89,163,009</u>
				<u>\$ 161,240,045</u>

The following table describes the funding commitment and redemption information for the Council's alternative investments:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Limited partnerships:</b>	\$ 146,358	\$ 27,500	N/A	N/A
	13,153,280		Quarterly	30 days
	21,565,234		Monthly	10 days
	3,803,406		Quarterly	30 days
	15,084,671		Quarterly	65 days
	12,670,860		Annually	N/A
	4,694,594		Monthly	30 days
	3,517,012		Monthly	N/A
	3,715,771		Monthly	20 days
<b>Limited liability companies:</b>				
	3,550,006		Quarterly	30 days
	4,547,778		Quarterly	30 days
	3,032,505		Quarterly	45 days
	3,324,906		Annually	N/A
	<u>3,194,421</u>		Monthly	10 days
	<u>\$ 96,000,802</u>			

### NOTE D - PROPERTY AND EQUIPMENT

At each fiscal-year end, property and equipment consisted of the following:

	June 30,	
	2018	2017
Building and improvements	\$ 4,954,064	\$ 4,862,770
Equipment	1,502,253	1,339,982
Furniture and fixtures	<u>259,481</u>	<u>259,481</u>
	6,715,798	6,462,233
Less: accumulated depreciation	<u>(3,988,418)</u>	<u>(3,670,498)</u>
	<u>\$ 2,727,380</u>	<u>\$ 2,791,735</u>



## AMERICAN COUNCIL OF LEARNED SOCIETIES

### Notes to Financial Statements June 30, 2018 and 2017

#### NOTE E - FELLOWSHIPS PAYABLE

Fellowships and stipends are awarded to institutions and individuals for the advancement of humanistic studies in all fields of learning. It is the Council's policy, in conjunction with grant agreements, to allow recipients to choose when payments of awards are to be received. Fellowships and stipends are usually paid over a period of one to nine years.

The Council records the expense and commitment of these fellowships and stipends when the awards are approved by the Council and accepted by the recipient. Fellowships and stipends are estimated to be paid as follows:

	<u>Year Ending June 30,</u>	<u>Amount</u>
	2019	\$ 9,986,962
	2020	4,429,355
	2021	<u>2,631,757</u>
Fellowships payable		17,048,074
Reduction in fellowships payables in excess of one year to present value at a discount rate of 2%		<u>(323,791)</u>
Fellowships payable, net, end of year		<u>\$ 16,724,283</u>

During fiscal-years 2018 and 2017, the Council awarded fellowships and stipends of \$20,686,288 and \$19,427,624, respectively.

#### NOTE F - BANK LOAN PAYABLE

During fiscal-year 2013, the Council obtained a bank loan of \$3,745,000, which matures on May 23, 2023. The loan is subject to certain covenants and bears interest at an initial rate of 3.07%. The interest rate will increase by 0.2% for every \$10,000,000 increment below \$40,000,000 that the Council holds in expendable cash and investments at the anniversary of the date of the loan. As of June 30, 2018 and 2017, the Council was in compliance with all covenants.

Future minimum principal payments due each year under the loan are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 250,079
2020	260,352
2021	266,229
2022	275,701
2023	<u>1,556,960</u>
	2,609,321
Less: deferred debt-issuance costs	<u>(37,937)</u>
	<u>\$ 2,571,384</u>

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Notes to Financial Statements June 30, 2018 and 2017

### NOTE G - TEMPORARILY RESTRICTED NET ASSETS

During each fiscal year, the changes in temporarily restricted net assets (including allocation of gains and losses) were as follows:

	<u>Balance July 1, 2017</u>	<u>Program Support</u>	<u>Release of Restrictions</u>	<u>Balance June 30, 2018</u>
Fellowship programs	\$ 24,619,668	\$ 11,363,907	\$ (11,433,498)	\$ 24,550,077
Vietnam Program/CEEVN	1,159,979	122,597	(445,624)	836,952
Special Program	5,174,535	6,103,315	(5,631,700)	5,646,150
International programs	4,734,376	7,451,176	(4,007,854)	8,177,698
Centennial fund		280,350		280,350
Accumulated endowment income reserved for appropriation	<u>8,142,898</u>	<u>4,090,121</u>	<u>(1,312,622)</u>	<u>10,920,397</u>
	<u>\$ 43,831,456</u>	<u>\$ 29,411,466</u>	<u>\$ (22,831,298)</u>	<u>\$ 50,411,624</u>
	<u>Balance July 1, 2016</u>	<u>Program Support</u>	<u>Release of Restrictions</u>	<u>Balance June 30, 2017</u>
Fellowship programs	\$ 26,852,693	\$ 10,017,496	\$ (12,250,521)	\$ 24,619,668
Vietnam Program/CEEVN	1,634,398	3,820	(478,239)	1,159,979
Special Program	1,800,839	6,205,607	(2,831,911)	5,174,535
International programs	3,177,248	5,716,543	(4,159,415)	4,734,376
Accumulated endowment income reserved for appropriation	<u>3,361,672</u>	<u>6,077,118</u>	<u>(1,295,892)</u>	<u>8,142,898</u>
	<u>\$ 36,826,850</u>	<u>\$ 28,020,584</u>	<u>\$ (21,015,978)</u>	<u>\$ 43,831,456</u>

### NOTE H - ACCOUNTING AND REPORTING FOR ENDOWMENTS

#### [1] The endowment:

The Council's endowment was established based on its mission and consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### [2] Interpretation of relevant law:

The Board of Directors has interpreted the District of Columbia's UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets (i) the original value of gifts donated to the permanent endowment, (ii) the original value of subsequent gifts to the permanent endowment, and (iii) accumulations to the permanent endowment (made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund). The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until those amounts are appropriated for expenditure by the Council, in a manner consistent with the standard of prudence prescribed by UPMIFA.

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Notes to Financial Statements June 30, 2018 and 2017

### NOTE H - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

#### [2] Interpretation of relevant law: (continued)

In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund;
- the purpose of the organization and the donor-restricted endowment fund;
- general economic conditions and the possible effect of inflation and deflation;
- the expected total return from income and the appreciation in value of the investments; and
- the investment policies of the Council.

#### [3] Endowment net asset composition by type of fund:

	June 30, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-designated endowment funds	\$ 83,949,467			\$ 83,949,467
Donor-restricted endowment funds		\$ 10,920,397	\$ 35,315,159	46,235,556
Total endowment funds	<u>\$ 83,949,467</u>	<u>\$ 10,920,397</u>	<u>\$ 35,315,159</u>	<u>\$ 130,185,023</u>

  

	June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-designated endowment funds	\$ 77,334,589			\$ 77,334,589
Donor-restricted endowment funds		\$ 8,142,898	\$ 34,681,959	42,824,857
Total endowment funds	<u>\$ 77,334,589</u>	<u>\$ 8,142,898</u>	<u>\$ 34,681,959</u>	<u>\$ 120,159,446</u>

Temporarily restricted endowment represents that portion of allocated investment income derived from permanently restricted endowment assets that has not been appropriated by the Board of Directors for expenditure.

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Notes to Financial Statements June 30, 2018 and 2017

### NOTE H - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

#### [3] Endowment net asset composition by type of fund: (continued)

Net assets were permanently restricted to support the following at each fiscal year-end:

	June 30,	
	<u>2018</u>	<u>2017</u>
Central Fellowship Program:		
Mellon Foundation	\$ 12,300,000	\$ 12,300,000
Ford Foundation	7,068,400	7,068,400
National Endowment for the Humanities	3,250,000	3,250,000
Rockefeller Foundation	1,000,000	1,000,000
William & Flora Hewlett Foundation	500,000	500,000
Carnegie Corporation	100,000	100,000
Carl and Lily Pforzheimer Foundation	180,000	180,000
Lilian Handlin	250,750	
McClary-Walser Fellowship Fund	100,000	
Lea Wakeman	282,450	
Other	<u>2,395</u>	<u>2,395</u>
	<u>25,033,995</u>	<u>24,400,795</u>
Program Administration:		
Mellon Foundation	10,000,000	10,000,000
Other:		
Lumiansky Fund	<u>281,164</u>	<u>281,164</u>
	<u>\$ 35,315,159</u>	<u>\$ 34,681,959</u>

#### [4] Changes in endowment net assets:

	Year Ended June 30, 2018			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 77,334,589	\$ 8,142,898	\$ 34,681,959	\$ 120,159,446
Contributions	1,867,568		633,200	2,500,768
Investment return, net	7,117,688	4,090,121		11,207,809
Funds appropriated for expenditure	<u>(2,370,378)</u>	<u>(1,312,622)</u>		<u>(3,683,000)</u>
Net assets, end of year	<u>\$ 83,949,467</u>	<u>\$ 10,920,397</u>	<u>\$ 35,315,159</u>	<u>\$ 130,185,023</u>
	Year Ended June 30, 2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 67,935,462	\$ 3,361,672	\$ 34,681,959	\$ 105,979,093
Contributions	1,137,748			1,137,748
Investment return, net	10,575,487	6,077,118		16,652,605
Funds appropriated for expenditure	<u>(2,314,108)</u>	<u>(1,295,892)</u>		<u>(3,610,000)</u>
Net assets, end of year	<u>\$ 77,334,589</u>	<u>\$ 8,142,898</u>	<u>\$ 34,681,959</u>	<u>\$ 120,159,446</u>

## AMERICAN COUNCIL OF LEARNED SOCIETIES

### Notes to Financial Statements June 30, 2018 and 2017

#### NOTE H - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

**[5] Funds with deficiencies:**

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, permanently restricted contribution. Under the terms of UPMIFA, the Council has no responsibility to restore such decrease in value. There were no such deficiencies in fiscal-years 2018 or 2017.

**[6] Return objectives and risk parameters:**

The Board of Directors evaluates its long-term asset allocation in meeting its fiduciary responsibilities for funding programs, protecting its endowment resources, and supporting future spending requirements. Accordingly, the board has adopted investment policies for its endowment assets that seek to maintain their purchasing power.

**[7] Strategies employed for achieving objectives:**

To satisfy its long-term, rate-of-return objectives, the Council relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets diversified assets, within prudent risk constraints.

**[8] Spending policy and relation to the spending policy:**

During 2017, the Council changed the policy of appropriating from the endowment from a moving average model spending policy to a constant growth model spending policy. Previously, the Council appropriated for distribution each year, an average of 5% of its endowment fund's average fair value, over the prior 12 quarters through the fiscal year-end proceeding the fiscal-year in which the distribution is planned. The new model changes the appropriating from the endowment fund at 3.5% of the fund's average fair value for the previous 3 years and will increment that appropriation modestly (2% of the dollar value of the previous year's appropriation) each subsequent year. It is expected that this policy will safeguard the value of the endowment over time while reducing the annual spending volatility that comes with adjusting endowment draws to varying investment returns.

#### NOTE I - EMPLOYEE-BENEFIT PLANS

**[1] Defined-contribution 403(b) retirement plan:**

For its eligible employees, the Council provides retirement benefits under a defined-contribution, Section 403(b) employee-benefit plan, the assets of which are maintained through the Teachers Insurance and Annuity Association of America - College Retirement Equities Fund. The Council contributes a minimum of 5% of each eligible employee's salary, as well as matches employee contributions up to a maximum of 5% of each eligible employee's salary. Contributions for fiscal-years 2018 and 2017 were \$271,800 and \$240,852, respectively.

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Notes to Financial Statements June 30, 2018 and 2017

### NOTE I - EMPLOYEE-BENEFIT PLANS (CONTINUED)

#### [2] Postretirement medical benefit plan:

The Council sponsors an unfunded, noncontributory, defined-benefit postretirement medical plan that covers employees hired prior to February 1, 1995.

The following sets forth the plan's funded status, reconciled with amounts reported in the Council's financial statements at each year end:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Actuarial present value of benefit obligations:		
Expected benefit obligation	<u>\$ (1,743,850)</u>	<u>\$ (1,862,083)</u>
Accumulated postretirement benefit obligation	<u>\$ (1,743,850)</u>	<u>\$ (1,862,083)</u>
Plan assets	<u>0</u>	<u>0</u>
Funded status (excess of obligation over assets)	<u>\$ (1,743,850)</u>	<u>\$ (1,862,083)</u>
Net periodic postretirement medical benefit costs included the following components:		
Service cost	\$ 5,169	\$ 6,802
Interest cost	66,233	67,509
Net loss amortization	<u>82,561</u>	<u>124,829</u>
Net periodic postretirement benefit cost	<u>\$ 153,963</u>	<u>\$ 199,140</u>
Adjustments to net assets, reported in the statement of activities:		
Net actuarial loss	\$ 82,561	\$ 124,829
Unrecognized transition obligation	<u>136,796</u>	<u>88,647</u>
Changes to post-retirement plan other than periodic costs	<u>\$ 219,357</u>	<u>\$ 213,476</u>
Weighted-average assumptions:		
Discount rate	4.00%	3.75%
Medical cost-trend rate	6.00%	6.00%

A one percentage-point increase in the assumed health-care cost-trend rates for each fiscal year would have resulted in an increase in the accumulated postretirement benefit obligation of \$195,928 as of June 30, 2018, and an increase in the aggregate service and interest cost components of net periodic postretirement benefit cost of \$8,948 as of June 30, 2018. A one percentage-point decrease in the assumed health-care cost-trend rates for each fiscal year would have resulted in a decrease in the accumulated postretirement benefit obligation of \$172,352 as of June 30, 2018, and a decrease in the aggregate service and interest cost components of net periodic postretirement benefit cost of \$7,696 as of June 30, 2018.

Employer contributions and benefits paid were \$52,839 and \$103,472 for fiscal-years 2018 and 2017, respectively. The estimated amount of the Council's contributions for fiscal-year 2019 is \$103,415.

# AMERICAN COUNCIL OF LEARNED SOCIETIES

## Notes to Financial Statements June 30, 2018 and 2017

### NOTE I - EMPLOYEE-BENEFIT PLANS (CONTINUED)

#### [2] Postretirement medical benefit plan: (continued)

The following table illustrates the benefit distributions that are expected to be paid over the next ten fiscal years:

<u>Year Ending June 30,</u>	<u>Expected Benefit Distributions</u>
2019	\$ 103,415
2020	105,822
2021	78,602
2022	105,944
2023	107,461
2024 - 2028	460,278

### NOTE J - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Council to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in high-credit-quality financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, management believes that the Council does not face a significant risk of loss on these accounts due to the failure of these institutions.

### NOTE K - COMMITMENTS AND CONTINGENCIES

#### [1] Government-funded activities:

U.S. government grants are subject to audit in the future by governmental authorities. Accordingly, the Council could be required to fund any disallowed costs for its own federally supported programs, as well as those of the Council for the International Exchange of Scholars that were incurred during the period of the Council's stewardship. In management's opinion, any such audits would not result in disallowed costs in amounts that would be significant to the Council's operations.

#### [2] Employment agreements:

The Council has an employment agreement with its President from July 1, 2013 through June 30, 2019. Under the terms of the agreement, the President is to receive compensation as President Emeritus participating in the Council's activities for the period extending from July 1, 2019 through June 30, 2020.

During fiscal-year 2018, the Council entered into a multi-year agreement with its then Vice President, Chief Operating Officer through June 2020.

## AMERICAN COUNCIL OF LEARNED SOCIETIES

### Notes to Financial Statements June 30, 2018 and 2017

#### NOTE K - COMMITMENTS AND CONTINGENCIES (CONTINUED)

##### [3] Lease:

During fiscal-year 2018, the Council entered into an agreement to lease office space within the same building where the Council currently owns space. The Council did not occupy this space until subsequent to year end. The lease is set to expire in August 2023.

The future minimum payments on this lease are as follows:

<u>Year</u>	<u>Lease</u>
2019	\$ 111,800
2020	114,036
2021	116,317
2022	118,643
2023	<u>121,016</u>
	<u>\$ 581,812</u>

##### [4] Other contracts:

In the normal course of business, the Council enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

#### NOTE L - CONCENTRATION OF REVENUE

During fiscal-year 2018, approximately 88% of the Council's total support was provided by three donors and during fiscal-year 2017, approximately 85% of the Council's total support was provided by one donor, respectively.